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ATLANTA LIBEL BY WILLIAM COTTERELL

A \$650,000 libel judgment won by Watergate conspirator E. Howard Hunt will be argued before a federal appeals court Monday in a case involving First Amendment freedoms and the murder of President Kennedy.

The Liberty Lobby, a Washington-based conservative organization that in 1978 linked Hunt to the Kennedy assassination, and the American Civil Liberties Union, which usually aligns itself with liberal causes, are on one side of the dispute in the 11th U.S. Circuit Court of Appeals.

On the other is Hunt, the 64-year-old former CIA man and author of detective thrillers who served 32 months and paid a \$10,000 fine for six counts of conspiracy, burglary and wiretapping resulting from the June 17, 1972, break-in at the Democratic National Committee headquarters in the Watergate complex.

In the Aug. 14, 1978, issue of its newsletter, The Spotlight, the Liberty Lobby published an article by former CIA man Victor L. Marchetti, who wrote that the spy agency was ready to tell Congress Hunt was involved in the Kennedy murder. At the time, the House Select Committee on Assassinations was reinvestigating the slayings of the president, his brother Robert F. Kennedy and Dr. Martin Luther King Jr.

The tabloid, with a circulation of 350,000, said the CIA was furious with Hunt for embarassing the agency by being involved in Watergate and later trying to extract ''hush money'' payments from he Nixon White House. The article said the CIA would ''sacrifice'' him in the House committee hearings, with headlines and subheadings that said '' CIA to Nail Hunt for Kennedy Killing,'' '' CIA to 'Admit' Hunt involved in Kennedy Slaying'' and ''They'll Hang Hunt.''

Court records said Marchetti's article was reviewed and approved by Willis Carto, president of the Liberty Lobby, and James P. Tucker, managing editor of The Spotlight.

Hunt filed suit Oct. 11, 1980, against the Liberty Lobby in Miami. He was awarded \$100,000 in compensatory damages and \$550,000 in punitive damages.

The Liberty Lobby appealed to the 11th Circuit, claiming U.S. District Judge James W. Kehoe improperly assessed damages.

The ACLU's interest in the case was expressed in a ''friend of the court'' brief which argues that the libel verdict would have ''a chilling effect'' on the First Amendment, if allowed to stand. The ACLU said no punitive damages should be allowed in libel suits brought by public officials ''because of their chilling effect'' on reporters.

The ACLU also argued that Hunt failed to show "'actual malice'' and that damages should not have been assessed against the publisher.

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